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Risk management system based on outsourcing instead of a labour safety control system in a small business

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Abstract

The sphere of analysis and accounting of industrial injuries and professional diseases are the problem is not only the Republic of Uzbekistan but also a global issue throughout the world. Often this is because of the imperfection of the professional risk management system and the lack of an adequate control level. In particular, the above is included by small businesses. The article contemplated the problems, disadvantages associated with the organization of the labor protection system in small businesses, as well as ways how to solve them. The author proposes the reform of the labor safety management system into a risk management system for small enterprises due to the fact that the current system is not practical and does not have a proper implementation in small businesses.

Keywords: labor protection, risk, accident, professional diseases, industrial injuries, outsourcing, labor safety control system, risk management system, individual protection means

Introduction

In Uzbekistan, social policy is very important and widely debated. According to the Constitution of the Republic of Uzbekistan, state power protects only the interests of the people and human rights. Again, in accordance with the Constitution, every citizen has the right to fair working conditions, paid leave, social security in old age, in case of disability, and loss of the breadwinner. ^[1] For the purpose of social protection of the population, as well as protection of the health and life of citizens in the Republic, a labor protection management system is established on the basis of the «On labor protection» law of the Republic of Uzbekistan. Moreover, it should be noted that this system has shown its own effectiveness to a large extent on subjects of large business and state-owned companies, and the sector of small and medium-sized businesses has remained outside the scope of this system.

In order to comply with every requirement of labor protection throughout the Republic in each organization were carrying out production activities with more than 50 employees, the position for labor protection specialists should be created. ^[2] This is the pitfall that the system stumbles upon. Large categories of small and medium-sized businesses do not fall under the above-mentioned criteria, although they are quite dangerous enterprises. The statistics below in the Republic of Uzbekistan will be proof for the above words (chart 1)

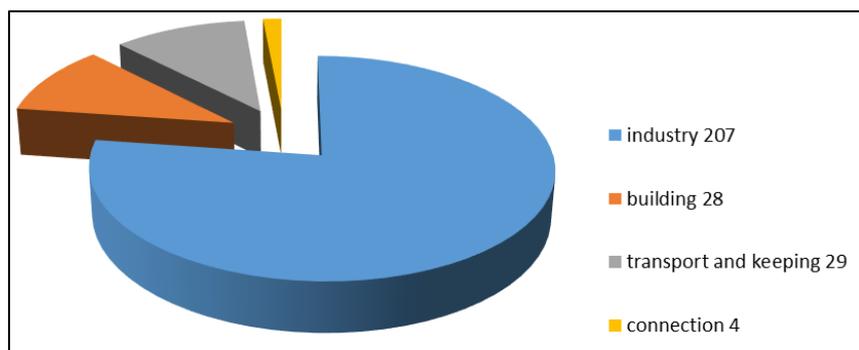


Fig 1: The number of industrial accidents in 2018

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The question is where are the accident statistics for small enterprises? Answer: it simply does not exist; accidents in small businesses are not taken into account, and therefore are not regulated in any way. Basically, statistics were recorded in large state enterprises (their reliability, this is another matter).^[3] For the note, in private business, which mainly comprises medium and small businesses, about 10 million people are engaged in labor activities.^[4] The protection of 10 million workers from industrial injuries and diseases remains a mystery. Of course, it must be allowed that many of them are private entrepreneurs, but still even half of the above, the numbers remain impressive.

Due to the lack of statistical data for the Republic of Uzbekistan, in order to identify the dangerous trend in small business, the authors decided to provide similar statistics in the Republic of Tatarstan, which shows the data that 1.7 times more workers die in small enterprises than in large industrial enterprises.^[5]

The problem relevance of the risk analyzing system in small and medium-sized businesses in person. The several questions to which answers will be found below were formulated by authors:

- What is the labor safety management system?
- What is the current situation of the management system or its similarity in the small and medium business sectors?
- Is it possible to introduce a labour safety management system, operating in public sector organizations and large enterprises, developed on the basis of the model regulation “On labor protection work organizations”, etc., in the private sector (small and medium-sized businesses)?
- Perhaps is it necessary to formulate a new risk analyzing system taking into account the capabilities and characteristics of small and medium-sized businesses?

Labor safety management system

The concept of a labor safety management system is understood in only one document: “The Regulation on the Procedure for Auditing a Labour Safety Management System”. The labor safety management system is a set of interrelated and interacting elements that establish policies and goals in the field of labor protection for a particular employer, and procedures for achieving these goals.^[6] Based on the foregoing, labor safety management system is not specific events clearly defined by law of an organizational, legal, financial and economic, industrial, technical, social, medical, sanitary and hygienic nature, but something not quite specific from an individual employer in a single production. In simple words, the labour safety management system is a complex of activities aimed at ensuring human safety during work.

The modern model on the functioning of the labor safety management system is based on the Shuhard-Deming cycle: plan-execute-check-improve-plan.

The objectives of the labor safety management system are:

- ensuring reliable and trouble-free equipment, technical and sanitary-hygienic provision of safe and hygienically acceptable working conditions, including the collective protection of workers;
- organizational support of production processes and employee behavior (work methods), including (if necessary) the using of personal protective equipment;

- Licensing of activities outside the organization, but necessary for the implementation of the first and second tasks, the risks associated with the legislation, certification of equipment, liability insurance, and the organization of activities necessary for employees, etc.
- When creating a labor safety management system at an enterprise, it is necessary:
- determine laws and other regulatory legal acts containing regulatory legal requirements for labor protection;
- identify hazardous and harmful production factors and associated risks;
- determine the policy of the institution in the field of labor protection;
- determine goals and objectives in the field of labor protection, set priorities;
- Develop a program for the implementation of policies and the achievement of its goals, the implementation of tasks.

Under ideal conditions and in large enterprises, LSMS to some extent shows its effectiveness, however, the absence of an effective economic and legal mechanism allows employers of small enterprises to ignore the requirements of labor protection and hygiene prescribed by law. Accidents in small enterprises are not recorded in any way. Only catastrophic accidents are announced to the public. Foreign researchers recognized the fact that workers in small enterprises may be under greater risk than their counterparts in large enterprises with similar activities.^[7] From the part in this there is also a part of the fault of the imperfection of the legislative and regulatory framework.

For example, in the Russian Federation, a number of regulatory documents have been developed on the organization of labor safety management in production, including the “Occupational Safety and Health Management System at Small Enterprises. Requirements and recommendations”, but information of GOST also did not show its effectiveness^[8].

According to laws in the field of labor protection, inspections by the state technical inspector for labor can be carried out by any enterprise, regardless of ownership, but in reality, everything is much more primitive. In most cases, the state inspector appoints as an inspection for large enterprises, according to the parameters of only document management (results of workplace certification) or a complaint from the employee. In short, the inspection is performed only in cases of external influence.

Based on this, the author came to the conclusion that the traditional system (LSMS) based on the model clause “About Organization of Works for Labor Protection” cannot be reflected in ensuring safe working conditions in small businesses.

There are two categorically related disadvantages of introducing LSMS in small business, the first of which is related to the employee, the second to the employer:

1. The threat of unemployment, along with the Uzbek mentality of neglecting one's own health and life, often leads to work in any working conditions.
2. Ignorance of the elementary norms and obligations of the employer in the field of labor protection gives rise to the employer's thought that the role of LSMS is insignificant. The employer begins to think about it only after a very serious accident and such cases are

investigated by the state. However, as we already understood, in small businesses the state does not exercise control.

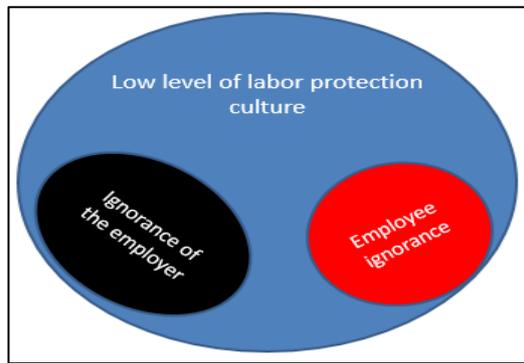


Fig 2: Occupational safety culture

The degree of active participation of employers and workers in ensuring safe and healthy working conditions depends on knowledge of labor protection issues and the availability of motivation for their implementation.

When setting up a new business, the employer should ask himself - how to organize at all stages of project development to prevent injuries? As we already understood, the legislation does not define a specific standard for the safety and health management system, so the choice is left to the employer. At the same time, the law establishes that - the employer is entirely responsible for creating safe working conditions in the organization, he is liable up to criminal responsibility for failure to fulfill his duties.

A small enterprise differs from a large one in terms of a strategic vision of its development. In a small enterprise, the main goal of the leader is to maximize income. Associated with this is the fact that the largest number of small business organizations are engaged in trade and public catering, the second largest number of enterprises in the construction of apartments, offices; in third place is the industry; the fourth is agriculture. [9] It is precisely such enterprises that account for the largest number of violations of safety regulations; workers in them have practically no social guarantees.

The most characteristic features of small businesses:

- lack of documents clearly regulating the safety of working conditions (the absence of articles describing working conditions, rights and obligations in employment contracts, as well as the absence of such in collective agreements);
- failure to provide appropriate occupational safety training for managers, specialists, and employees;
- not providing employees with personal protective equipment (PPE);
- -operation of equipment not complying with safety regulations;
- lack of a full-fledged labor protection specialist or a person who has at least some idea of OSH;
- not passing a preliminary medical examination or passing a medical examination at his own expense;
- performance of work that does not correspond to official duties, which may result in injury.

In conclusion, we can say that the stable economic situation, the lack of standards in many small enterprises, and the inability to work help to stabilize the labor safety management system. In order to create a labour safety management system at small enterprises, it is necessary to

involve an expert group with the necessary knowledge. And in general, to review the very essence of the LSMS, with its reforming into something more suitable for small and medium-sized businesses. LSMS in its entirety in accordance with the current Legal documents is complicated. To this end, the authors propose a phased transition from the LSMS to the risk management system (RMS) based on outsourcing² in the field of labor protection.

Risk management system

According to article 12 of the Law “On labor protection” of the Republic of Uzbekistan, the functions of the labor protection service can be performed by professional participants in the labor protection services market on a contractual basis [2].

According to the requirements of labor legislation, LSMS should include at least the following provisions:

1. Regulations on the role of labor protection in the management system;
2. Updating the regulatory framework;
3. Labor protection policy;
4. Training on labor protection and knowledge testing among employees;
5. Informing employees about the state of working conditions and labor protection;
6. Organization and certification of workplaces;
7. Planning of measures for labor protection;
8. Responding to accidents;
9. Monitoring the level of injuries and occupational diseases;
10. Control over the functioning of the created system.

Additional provisions

- Organization and conduct of medical examination;
- Provision of individual protection means and collective protective equipment;
- Providing special food, milk;
- Organization of work and rest.

Small enterprises are encouraged to prevent the lack of necessary resources in accordance with the norms established by law and to organize work on labor protection, as well as large organizations. In order to create a safe working environment for small and medium-sized business workers, some of the powers of managers need to be simplified and outsourced to service providers. The authors also concluded that LSMS in small businesses needs to be legally revised and converted into construction and installation work.

Employers of small and medium-sized enterprises often resort to the use of temporary services of specialists in the field of labor protection, outsourcing, or out staffing to prepare their organization for a visit to chief labor inspector, but after an inspection, the deposits of the system created by outsourcing cease to function. To solve this problem, the authors recommend the implementation as a normative document of the risk management system for small enterprises, which will need to be followed without fail in small and medium enterprises.

1. As practice shows, the management of organizations often does not fully imagine the functions required for execution in the system of ensuring labor safety. Accordingly, they cannot always objectively assess the

need and validity of attracting outsourcers. At the same time, the outsourcer company must also clearly identify its poor functions. Based on this, small enterprises first need to determine for themselves the feasibility and economic effect of outsourcing. It is possible even so to prefer a full-fledged LSMS with a full-time employee in the form of a specialist in occupational health and safety.

To evaluate the economic effect of outsourcing, the following formula is used:

$$D = (B * (Z-K)) / T-A,$$

Where is the D-economic effect obtained by outsourcing (compared to insourcing);

B - estimated labor costs (in hours);

Z- the value of the monthly salary (in amounts);

K-indirect employee costs per month (social package);

T-total hours per month;

A - declared value of the outsourcer's services provided.

If the value of $D > 0$, then it is economically feasible to use the services of an outsourcer company.

- Before the creation of the system, the powers should be divided between the head of the organization and the representative of the organization (outsourcing service provider (outsourcer)). Fig. 2.

In this case, the head should not be a moderator of the risk management system, but its auditor (regulatory body). At the same time, such powers as financing, distribution of roles within the organization, penalties, and some other powers cannot be delegated to outsourcing. Table 2 shows the responsibilities for creating construction and installation work in the organization.

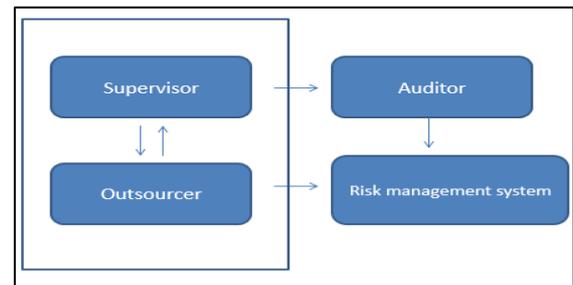


Fig 3: Roles of participants in the system of construction and installation work

Table 2: Responsibilities in the system of construction and installation work

Head of the company (Employer)	Outsourcer
Preliminary analysis of the state of labor protection for the current period (independently, after inspection by supervisory authorities, using an audit)	Analysis of the state of labor protection after the conclusion of a bilateral agreement on the provision of outsourcing services for health and safety
Coordination and approval of a long-term plan of compulsory labor protection work (development of basic regulatory acts on occupational safety, creation of an up-to-date NAP base, training of persons responsible for labor protection, etc.) and terms of its implementation	Define and agree a long-term plan of compulsory labor protection work (development of basic regulatory acts on occupational safety, creation of an up-to-date NAP base, training of persons responsible for labor protection, etc.) and terms of its implementation
Coordination and approval of the long-term plan of additional work on occupational health (certification of jobs, preliminary and periodic medical examination) and the terms of its implementation	Defining the long-term plan of additional work on occupational health (certification of jobs, preliminary and periodic medical examination) and the timing of its implementation
Allocation of funds for the implementation of labor protection	Calculation and approval of the necessary funds required for the implementation of labor protection
Control over conducting briefings, training, checks on knowledge of health and safety	Organization of briefings, training, checks on knowledge of health and safety
Participate in the investigation of accidents	Investigation of accidents when they occur
Occupational safety Attitudes and control over the work process. Conduct a scheduled audit of the quality of services provided by the occupational safety outsourcer	Carrying out work on the prevention of injuries in the workplace, occupational diseases (providing information on working conditions, issuing orders, proposing penalties for violations of safety rules, etc.).

According to statistics, only 5% of managers of medium and small enterprises are motivated to turn to organizations that provide labor protection services. The remaining 95% either do not know about the existence of outsourcing in the field of labor protection or consider it an unnecessary burden for the business.

- The contract for the provision of services is the most important clause in the provision of services. Labor protection services in the contract must be hardened in sufficient detail for two reasons:

Firstly, this list is not spelled out in the labor legislation (which means that the customer has the right to independently define them), and secondly, the non-inclusion of any service in the subject of the contract

will have clear legal consequences (the outsourcer will be well obliged to fulfill them).

In connection with the foregoing, and taking into account the employer's ignorance of records management in the field of labor protection, the authors propose legislatively fixing the list of obligatory services for the outsourcer to create an SMR system at the enterprise.

- The choice of an outsourcer is one of the most important tasks of the manager who decided to introduce risk management system into his organization; the authors recommend the following selection criteria (table 3)

Table 3: Selection Criteria of Outsourcing Organization

Recommended selection criteria	Justification criteria
Outsourcing service life in the labor protection services market	Allows you to evaluate the experience and reputation of a foreign expert. At present, this criterion is very vague, because there is not enough competitive environment
The lifetime of the service "performing the function of a security service there or a labor protection specialist"	
The customer base of the outsourcer	Assess the scope, quality, and geography of services provided, taking into account the work of the customer
Geography of activity	Assess the status of the outsourcing organization in the service market
Outsourced services	Assess the possibility of working abroad
The principle of pricing and value formation of services	Assess the quality and professionalism of the staff
The number and qualifications of employees working as occupational safety specialists	

5. According to Appendix 1 κ Cabinet Decisions No. 246 of the Republic of Uzbekistan, the minimum requirements are proposed for representatives of outsourcing services to organize their activities: at least 3 specialists with qualification certificates of a labor protection specialist; the organization should have a reference base of legal documents and that's all. The authors decided to take into account the first paragraph of article 17 of the Law on Labor Protection of the Republic of Uzbekistan "providing training for labor protection specialists at universities" as the basis for creating an outsourcing base in the field of labor protection. At present, in the Republic of Uzbekistan, about 200 labor protection specialists graduate annually, who often remain idle. Where will they find a better application than the labor protection outsourcing market?

The outsourcing market is extremely unpopular due to the above reasons. For 2020, outsourcing in the Republic according to the register is provided by up to 10 organizations for which this type of activity is not the main one. Due to increased interest, graduates of the areas of "life safety" and "labor protection" may have the opportunity, in the process of increasing self-employment, to increase the level of security in small and medium-sized businesses, and also make it more open to understanding the need to ensure

the safety of workers.

In accordance with this, the authors propose legislatively to oblige additional requirements for the qualification of a labor protection specialist: higher technical education in the direction of the Belarusian Railways or labor protection, similar to that implemented in the order of the Ministry of Labor of the Russian Federation dated August 4, 2014, No. 524н.

6. To simplify the LSMS management system and transform it into a construction and installation management system, the authors propose to completely eliminate the coordination structure of activities in the field of labor protection, represented by the permanent commission for labor protection due to its inappropriateness in small enterprises. The inappropriateness of permanent commission is connected with the fact that in small businesses there are practically no engineering and technical workers; in most cases, permanent commission membership is organized from among the employees who are completely unaware of labor protection issues (accountant, manager, supply manager, etc.). Such employees cannot regulate relations in the field of occupational health at the enterprise. It is proposed to transform the permanent commission into - the Commission for Control and Internal Audit (CCIA).

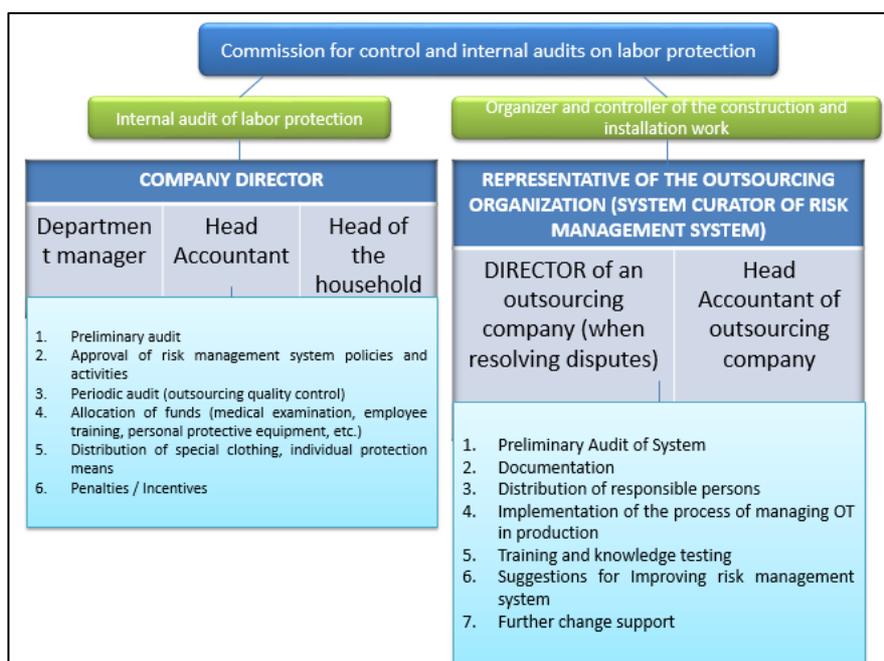


Fig 4: The Commission for Control and Internal Audit (CCIA)

Conclusion

It is important to remember that outsourcing is not always in favor. In fact, outsourcing is simply the transfer of a particular business process or production function to another organization, particularly by an organization that specializes in occupational safety and health. Outsourcing is a management strategy in an organization that involves a certain restructuring of its internal corporate processes and external relations.

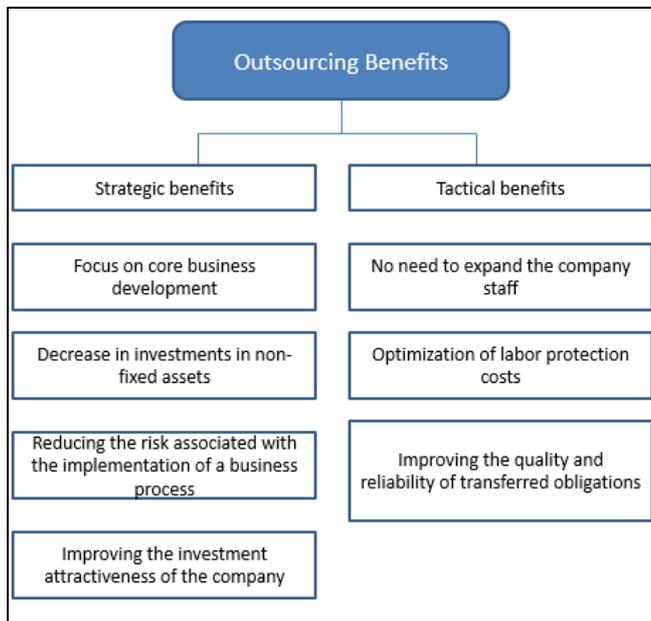


Fig 5: Block diagram of the main advantages of outsourcing in the field of labor safety

The leadership of a small and medium-sized enterprise should make a choice in favor of the safety of workers at their facilities because they have a very real responsibility for their life and health. In addition, it should be understood that security is continuously associated with the economic growth and stability of the enterprise.

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